



State of Utah

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2005

State Of Utah

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For The Fiscal Year Ended June 30, 2005

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ACKNOWLEDGMENTS

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Special appreciation is given to all of the budget and accounting officers throughout the State whose extra time and effort made this report possible.



State of Utah
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2005

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REQUIRED SUPPLEMENTARY INFORMATION

State of Utah**Budgetary Comparison Schedule
General Fund**

For the Fiscal Year Ended June 30, 2005

(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
General Revenues				
Sales Tax	\$ 1,497,250	\$ 1,590,000	\$ 1,634,522	\$ 44,522
Licenses, Permits, and Fees:				
Insurance Fees	5,829	5,597	5,174	(423)
Court Fees	5,113	5,139	4,115	(1,024)
Other Licenses, Permits, and Fees	7,005	7,303	8,651	1,348
Investment Income	7,450	11,000	13,602	2,602
Miscellaneous Taxes and Other:				
Beer Tax	9,680	9,600	8,918	(682)
Cigarette and Tobacco Tax	50,000	50,400	53,023	2,623
Inheritance Tax	4,050	4,000	2,952	(1,048)
Insurance Premium Tax	65,150	68,000	67,359	(641)
Oil, Gas, and Mining Severance Tax	42,100	50,500	64,932	14,432
Taxpayer Rebates	(5,500)	(5,600)	(5,949)	(349)
Court Collections	5,625	6,177	5,861	(316)
Other Taxes	23,534	16,400	17,401	1,001
Miscellaneous Other	9,149	8,384	10,056	1,672
Total General Revenues	<u>1,726,435</u>	<u>1,826,900</u>	<u>1,890,617</u>	<u>63,717</u>
Department Specific Revenues				
Restricted Sales Tax	2,625	2,625	2,625	—
Federal Contracts and Grants	1,783,058	1,774,132	1,774,132	—
Departmental Collections	247,419	250,538	258,928	8,390
Higher Education Collections	324,053	323,533	323,533	—
Federal Mineral Lease	48,024	72,290	82,704	10,414
Investment Income	2,641	3,963	4,043	80
Miscellaneous	410,806	438,540	423,283	(15,257)
Total Department Specific Revenues	<u>2,818,626</u>	<u>2,865,621</u>	<u>2,869,248</u>	<u>3,627</u>
Total Revenues	<u>4,545,061</u>	<u>4,692,521</u>	<u>4,759,865</u>	<u>67,344</u>
Expenditures				
General Government	199,200	204,386	171,717	32,669
Human Services and Youth Corrections	583,213	592,171	585,463	6,708
Corrections, Adult	193,688	195,942	193,613	2,329
Public Safety	143,608	194,247	162,723	31,524
Courts	108,696	108,743	106,276	2,467
Health and Environmental Quality	1,754,485	1,712,208	1,704,088	8,120
Higher Education – State Administration	42,327	39,133	39,121	12
Higher Education – Colleges and Universities	946,471	958,325	958,325	—
Employment and Family Services	275,713	427,032	420,067	6,965
Natural Resources	135,081	142,378	124,993	17,385
Community and Economic Development	108,726	98,760	86,631	12,129
Business, Labor, and Agriculture	103,342	89,243	77,596	11,647
Total Expenditures	<u>4,594,550</u>	<u>4,762,568</u>	<u>4,630,613</u>	<u>131,955</u>
Excess Revenues Over (Under) Expenditures	<u>(49,489)</u>	<u>(70,047)</u>	<u>129,252</u>	<u>199,299</u>
Other Financing Sources (Uses)				
Transfers In	194,927	307,040	307,040	—
Transfers Out	(213,693)	(297,886)	(297,886)	—
Total Other Financing Sources (Uses)	<u>(18,766)</u>	<u>9,154</u>	<u>9,154</u>	<u>0</u>
Net Change in Fund Balance	(68,255)	(60,893)	138,406	199,299
Budgetary Fund Balance – Beginning	321,163	321,163	321,163	—
Budgetary Fund Balance – Ending	<u>\$ 252,908</u>	<u>\$ 260,270</u>	<u>\$ 459,569</u>	<u>\$ 199,299</u>

The Notes to Required Supplementary Information – Budgetary Reporting are an integral part of this schedule.

State of Utah**Budgetary Comparison Schedule
Uniform School Fund**

For the Fiscal Year Ended June 30, 2005

(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
General Revenues				
Individual Income Tax	\$ 1,712,950	\$ 1,830,000	\$ 1,934,028	\$ 104,028
Corporate Tax	191,950	198,500	206,730	8,230
Investment Income	8,900	8,900	13,909	5,009
Miscellaneous Other	6,987	11,000	6,802	(4,198)
Total General Revenues	<u>1,920,787</u>	<u>2,048,400</u>	<u>2,161,469</u>	<u>113,069</u>
Department Specific Revenues				
Federal Contracts and Grants	289,364	344,665	344,665	—
Departmental Collections	3,698	2,790	2,790	—
Miscellaneous:				
School Lunch Tax	15,809	18,123	18,123	—
Driver Education Fee	4,310	4,546	4,546	—
Other	4,581	8,046	8,039	(7)
Total Department Specific Revenues	<u>317,762</u>	<u>378,170</u>	<u>378,163</u>	<u>(7)</u>
Total Revenues	<u>2,238,549</u>	<u>2,426,570</u>	<u>2,539,632</u>	<u>113,062</u>
Expenditures				
Public Education	<u>2,165,421</u>	<u>2,219,316</u>	<u>2,177,845</u>	<u>41,471</u>
Total Expenditures	<u>2,165,421</u>	<u>2,219,316</u>	<u>2,177,845</u>	<u>41,471</u>
Excess Revenues Over (Under) Expenditures	<u>73,128</u>	<u>207,254</u>	<u>361,787</u>	<u>154,533</u>
Other Financing Sources (Uses)				
Transfers In	5,211	2,980	2,980	—
Transfers Out	<u>(160,460)</u>	<u>(288,872)</u>	<u>(288,872)</u>	<u>—</u>
Total Other Financing Sources (Uses)	<u>(155,249)</u>	<u>(285,892)</u>	<u>(285,892)</u>	<u>0</u>
Net Change in Fund Balance	(82,121)	(78,638)	75,895	154,533
Budgetary Fund Balance – Beginning	152,647	152,647	152,647	—
Adjustments to Beginning Fund Balances	<u>(1,066)</u>	<u>(1,066)</u>	<u>(1,066)</u>	<u>—</u>
Fund Balances – Beginning As Adjusted	<u>151,581</u>	<u>151,581</u>	<u>151,581</u>	<u>—</u>
Budgetary Fund Balance – Ending	<u>\$ 69,460</u>	<u>\$ 72,943</u>	<u>\$ 227,476</u>	<u>\$ 154,533</u>

The Notes to Required Supplementary Information – Budgetary Reporting are an integral part of this schedule.

State of Utah**Budgetary Comparison Schedule
Transportation Fund**

For the Fiscal Year Ended June 30, 2005

(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
General Revenues				
Motor Fuel Tax	\$ 240,367	\$ 235,000	\$ 241,484	\$ 6,484
Special Fuel Tax	87,850	90,000	93,837	3,837
Licenses, Permits, and Fees:				
Motor Vehicle Registration Fees	29,986	31,014	30,690	(324)
Proportional Registration Fees	11,495	12,005	12,122	117
Temporary Permits	380	370	336	(34)
Special Transportation Permits	5,797	6,003	6,612	609
Highway Use Permits	7,896	8,704	8,421	(283)
Motor Vehicle Control Fees	4,198	4,702	4,757	55
Miscellaneous	1,650	2,002	1,895	(107)
Investment Income	1,999	2,200	3,457	1,257
Miscellaneous Other	2,399	1,000	1,677	677
Total General Revenues	<u>394,017</u>	<u>393,000</u>	<u>405,288</u>	<u>12,288</u>
Department Specific Revenues				
Restricted Sales and Aviation Fuel Taxes	32,243	34,743	35,438	695
Federal Contracts and Grants	140,109	197,328	197,328	—
Departmental Collections	36,738	46,207	46,225	18
Federal Aeronautics	25,000	33,000	34,416	1,416
Investment Income	693	1,028	1,048	20
Miscellaneous	4,650	19,790	20,319	529
Total Department Specific Revenues	<u>239,433</u>	<u>332,096</u>	<u>334,774</u>	<u>2,678</u>
Total Revenues	<u>633,450</u>	<u>725,096</u>	<u>740,062</u>	<u>14,966</u>
Expenditures				
Transportation	<u>542,172</u>	<u>708,685</u>	<u>701,332</u>	<u>7,353</u>
Total Expenditures	<u>542,172</u>	<u>708,685</u>	<u>701,332</u>	<u>7,353</u>
Excess Revenues Over (Under) Expenditures	<u>91,278</u>	<u>16,411</u>	<u>38,730</u>	<u>22,319</u>
Other Financing Sources (Uses)				
Transfers In	17,357	48,406	48,406	—
Transfers Out	(102,034)	(109,216)	(109,216)	—
Total Other Financing Sources (Uses)	<u>(84,677)</u>	<u>(60,810)</u>	<u>(60,810)</u>	<u>0</u>
Net Change in Fund Balance	6,601	(44,399)	(22,080)	22,319
Budgetary Fund Balance – Beginning	182,569	182,569	182,569	—
Budgetary Fund Balance – Ending	<u>\$ 189,170</u>	<u>\$ 138,170</u>	<u>\$ 160,489</u>	<u>\$ 22,319</u>

The Notes to Required Supplementary Information – Budgetary Reporting are an integral part of this schedule.

State of Utah**Budgetary Comparison Schedule
Centennial Highway Fund**

For the Fiscal Year Ended June 30, 2005

(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
General Revenues				
Sales Tax	\$ 5,000	\$ 5,200	\$ 5,519	\$ 319
Motor Vehicle Registration Fees	20,400	20,600	20,422	(178)
Investment Income	1,400	1,400	3,137	1,737
Total General Revenues	<u>26,800</u>	<u>27,200</u>	<u>29,078</u>	<u>1,878</u>
Department Specific Revenues				
Federal Contracts and Grants	35,000	44,282	44,282	—
Total Department Specific Revenues	<u>35,000</u>	<u>44,282</u>	<u>44,282</u>	<u>0</u>
Total Revenues	<u>61,800</u>	<u>71,482</u>	<u>73,360</u>	<u>1,878</u>
Expenditures				
Transportation	118,195	152,953	152,953	—
Total Expenditures	<u>118,195</u>	<u>152,953</u>	<u>152,953</u>	<u>0</u>
Excess Revenues Over (Under) Expenditures	<u>(56,395)</u>	<u>(81,471)</u>	<u>(79,593)</u>	<u>1,878</u>
Other Financing Sources (Uses)				
General Obligation Bonds Issued	48,000	47,050	47,050	—
Premium (Discount) on Bonds Issued	—	2,950	2,950	—
Transfers In	127,163	134,345	134,345	—
Transfers Out	(125,371)	(137,851)	(137,851)	—
Total Other Financing Sources (Uses)	<u>49,792</u>	<u>46,494</u>	<u>46,494</u>	<u>0</u>
Net Change in Fund Balance	(6,603)	(34,977)	(33,099)	1,878
Budgetary Fund Balance – Beginning	216,914	216,914	216,914	—
Budgetary Fund Balance – Ending	<u>\$ 210,311</u>	<u>\$ 181,937</u>	<u>\$ 183,815</u>	<u>\$ 1,878</u>

The Notes to Required Supplementary Information – Budgetary Reporting are an integral part of this schedule.

State of Utah**Budgetary Comparison Schedule
Budget To GAAP Reconciliation**

For the Fiscal Year Ended June 30, 2005

(Expressed in Thousands)

	General Fund	Uniform School Fund	Transportation Fund	Centennial Highway Fund
Revenues				
Actual total revenues (budgetary basis)	\$ 4,759,865	\$ 2,539,632	\$ 740,062	\$ 73,360
Differences – Budget to GAAP:				
Intrafund revenues are budgetary revenues but are not revenues for financial reporting	(287,335)	(4,152)	(22,255)	—
Higher education and Utah Schools for the Deaf and the Blind collections are budgetary revenues but are not revenues for financial reporting	(332,299)	(4,612)	—	—
Change in revenue accrual for nonbudgetary Medicaid claims	7,889	—	—	—
Change in tax accruals designated by law for postemployment and other liabilities are revenues for financial reporting but not for budgetary reporting	30,746	17,496	1,755	98
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	<u>\$ 4,178,866</u>	<u>\$ 2,548,364</u>	<u>\$ 719,562</u>	<u>\$ 73,458</u>
Expenditures				
Actual total expenditures (budgetary basis)	\$ 4,630,613	\$ 2,177,845	\$ 701,332	\$ 152,953
Differences – Budget to GAAP:				
Intrafund expenditures for reimbursements are budgetary expenditures but are not expenditures for financial reporting	(287,335)	(4,152)	(22,255)	—
Expenditures related to higher education and Utah Schools for the Deaf and the Blind collections are budgetary expenditures but are not expenditures for financial reporting	(332,299)	(4,612)	—	—
Certain budgetary transfers and other charges are reported as expenditures for financial reporting	(7,968)	—	—	—
Leave/postemployment charges budgeted as expenditures when earned rather than when taken or due	2,132	(283)	(293)	—
Change in accrual for Medicaid incurred but not reported claims excluded from the budget by statute	11,524	—	—	—
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	<u>\$ 4,016,667</u>	<u>\$ 2,168,798</u>	<u>\$ 678,784</u>	<u>\$ 152,953</u>

The Notes to Required Supplementary Information – Budgetary Reporting are an integral part of this schedule.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING**Budgetary Presentation**

A Budgetary Comparison Schedule is presented for each of the State's major governmental funds for which the Legislature enacts an annual budget. An annual budget is also adopted for the Debt Service Fund, a nonmajor fund. The budgets are enacted through passage of *Appropriations Acts*. Budgets for specific general revenues are not adopted through an *Appropriations Act* but are based on supporting estimates approved by the Executive Appropriations Committee of the Legislature. General revenues are those revenues available for appropriation for any program or purpose as allowed by law. Department-specific revenues are revenues dedicated by an *Appropriations Act* or restricted by other law or external grantor to a specific program or purpose.

Original budgets and related revenue estimates represent the spending authority enacted through *Appropriations Acts* as of June 30, 2005, and include nonlapsing carryforward balances from the prior fiscal year. Final budgets represent the original budget as amended by supplemental appropriations and related changes in revenue estimates, executive order reductions when applicable, and changes authorized or required by law when department-specific revenues either exceed or fall short of budgeted amounts.

Unexpended balances at yearend may: (1) lapse to unrestricted balances and be available for future appropriation; (2) lapse to restricted balances and be available for future appropriation restricted for specific purposes as defined by statute; or (3) be nonlapsing, which means balances are reported as reservations of fund balance. The nonlapsing balances are considered automatically reappropriated as authorized by statute, by an *Appropriations Act*, or by limited encumbrances.

Budgetary Control

In September of each year, all agencies of the government submit requests for appropriations to the Governor's Office of Planning and Budget so that a budget may be prepared. The budget is prepared by fund, function, and activity and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

In January, the proposed budget is presented to the Legislature. The Legislature reviews the budget, makes changes, and prepares the annual *Appropriations Act*. The Legislature passes the *Appropriations Act* by a simple majority vote. The *Appropriations Act* becomes the State's authorized operating budget upon the Governor's signature. The *Constitution of Utah* requires that budgeted expenditures not exceed estimated revenues and other sources of funding, including beginning balances.

Budgetary control is maintained at the functional or organizational level, as identified by numbered line items in the *Appropriations Act*. Budgets may be modified if federal funding or revenue specifically dedicated for a line item exceeds original estimates in the *Appropriations Act*. If funding sources are not sufficient to cover the appropriation, the Governor is required to reduce the budget by the amount of the deficiency. Any other changes to the budget must be approved by the Legislature in a supplemental *Appropriations Act*.

Any department that spends more than the authorized amount must submit a report explaining the overspending to the State Board of Examiners. The Board will recommend corrective action, which may include a request to the Legislature for a supplemental appropriation to cover the deficit. If a supplemental appropriation is not approved, the department must cover the overspending with the subsequent year's budget. In the General Fund, the State Courts Administrator's budget for juror and witness fees was overexpended by \$128 thousand. This deficit is allowed by statute and will be funded with future appropriations. All other appropriated budgets of the State were within their authorized spending levels.

Spending Limitation

The State also has an appropriation limitation statute that limits the growth in state appropriations. The total of the amount appropriated from unrestricted General Fund sources plus the income tax revenues appropriated for higher education is limited to the growth in population and inflation. The appropriations limitation can be exceeded only if a fiscal emergency is declared and approved by more than two-thirds of both houses of the Legislature, or if approved by a vote of the people. However, the appropriations limitation statute may be amended by a majority of both houses of the Legislature. Appropriations for debt service, emergency expenditures, amounts from other than unrestricted revenue sources, transfers to the Budgetary Reserve Account (Rainy Day Fund), or capital developments meeting certain criteria are exempt from the appropriations limitation. In addition, the 2005 Legislature amended the definition of appropriations to exclude transfers to the Education Budget Reserve Account and the Transportation Investment Fund. For the fiscal year ended June 30, 2005, the State was \$88.2 million below the appropriations limitation. The State is currently below the fiscal year 2006 appropriations limitation by \$69.1 million.

INFORMATION ABOUT INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH

As allowed by GASB Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, the State has adopted an alternative to reporting depreciation on roads and bridges (infrastructure assets) maintained by the Utah Department of Transportation (UDOT). Under this alternative method, referred to as the “modified approach,” infrastructure assets are not depreciated, and maintenance and preservation costs are expensed.

In order to utilize the modified approach, the State is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform and document replicable condition assessments of the eligible infrastructure assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by the State.
- Document that the infrastructure assets are being preserved approximately at, or above the condition level established by the State.

Roads

UDOT uses the Pavement Management System to determine the condition of 5,724 centerline miles of state roads. The assessment is based on the Ride Index, which is a measure of ride quality on a 1 to 5 scale, with 5 representing new or nearly new pavements that provide a very smooth ride. The Ride Index is calculated from the International Roughness Index (IRI), with pavement type (asphalt or concrete) taken into account. The IRI is a mathematical statistic based on the longitudinal profile of the road.

Category	Range	Description
Very Good	4.35 – 5.00	New or nearly new pavements that provide a very smooth ride, and are mainly free of distress.
Good	3.55 – 4.34	Pavements that provide an adequate ride, and exhibit few, if any, visible signs of distress.
Fair	2.75 – 3.54	Surface defects in this category such as cracking, rutting, and raveling are affecting the ride.
Poor	1.85 – 2.74	These roadways have deteriorated to such an extent that they are in need of resurfacing and the ride is noticeably rough.
Very Poor	1.00 – 1.84	Pavements in this category are severely deteriorated, and the ride quality must be improved.

Condition Level

The State’s established condition level is to maintain 50 percent of its roads with a rating of “fair” or better and no more than 15 percent of roads with a rating of “very poor.”

The State performs complete assessments on a calendar year basis. The following table reports the result of pavements with ratings of “fair” or better (ratings of 2.75 through 5.0) or “very poor” (ratings of 1.0 through 1.84) for the last three years:

Rating	2004	2003	2002
Fair or Better	74.7%	74.8%	73.0%
Very Poor	6.2%	6.4%	6.6%

The following table presents the State's estimated amounts needed to maintain and preserve roads at or above the established condition levels addressed above, and the amounts actually spent for each of the past five reporting periods (in thousands):

FISCAL YEAR	ESTIMATED SPENDING	ACTUAL SPENDING
2005	\$ 226,345	\$ 307,858
2004	\$ 231,214	\$ 262,741
2003	\$ 230,860	\$ 224,645
2002	\$ 242,287	\$ 281,260
2001	\$ 239,273	\$ 209,439

Bridges

UDOT uses the Structures Inventory System to monitor the condition of the 1,810 state-owned bridges. A number, ranging from 1 to 100, is calculated based on condition, geometry, functional use, safety, and other factors. Three categories of condition are established in relation to the number range as follows:

Category	Range	Description
Good	80 – 100	Preventive maintenance requirements include repair leaking deck joints, apply deck overlays and seals, place concrete sealers to splash zones, paint steel surfaces, and minor beam repairs.
Fair	50 – 79	Corrective repairs include deck, beam, and substructure repairs, fixing settled approaches, and repairing collision damage.
Poor	1 – 49	Major rehabilitation and replacement includes deck, beam, or substructure replacements or replacement of the entire bridge.

Condition Level

The State performs complete assessments on an annual basis ending April 1 of each year. The established condition level is to maintain 50 percent of the bridges with a rating of "good" and no more than 15 percent with a rating of "poor." The following table reports the results of the bridges assessed for the past three years:

Rating	2005	2004	2003
Good	71.0%	70.0%	70.0%
Poor	3.0%	3.0%	3.0%

The following table presents the State's estimated amounts needed to maintain and preserve bridges at or above the established condition levels addressed above, and the amounts actually spent for each of the past five reporting periods (in thousands):

FISCAL YEAR	ESTIMATED SPENDING	ACTUAL SPENDING
2005	\$ 39,943	\$ 54,328
2004	\$ 40,803	\$ 46,366
2003	\$ 40,739	\$ 39,644
2002	\$ 42,757	\$ 49,634
2001	\$ 42,224	\$ 36,960